

MANAGEMENT'S DISCUSSION AND ANALYSIS

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JANUARY 13TH, 2005

This Management's Discussion and Analysis ("MD & A") focuses on key statistics from the consolidated financial statements as well as our review of the operating direction of the contracting division. This discussion and analysis should not be considered all inclusive, as it excludes changes that may occur in the general economic environment. This discussion of the financial condition and results of the operations is for the year ended August 31, 2004 and should be read in conjunction with the consolidated financial statements and related notes and material contained in other parts of this annual report.

PROFILE

Rich Minerals Corporation was incorporated as a private company in 1986 and was approved to trade publicly on the Alberta Stock Exchange in 1988. Rich Minerals Corporation owns Rich Contracting Ltd. a wholly owned subsidiary, which provides revenue for the company. Rich Contracting Ltd. is in the business of contracting and provides construction services to major developers in western Canada.

OVERVIEW

The Board of Directors of Rich Minerals Corporation is in discussions to put into motion changes necessary to pursue opportunities that would change the focus of the company. The executive as well as the Board of Directors is directing its future operations into a field that would enhance the company's value and overall market perception for the shareholders.

As fiscal 2004 drew to a close Rich Contracting Ltd.'s management team started to reduce its activity within the construction industry by taking on fewer construction projects.

- Revenues for fiscal 2004 were down \$378,090 from revenues in 2003.
- Gross Margin as a percentage of revenue increased 1.4% from the previous year.
- Net Earnings decreased \$4,798 from 2003.

RESULTS OF OPERATIONS:

Revenues

Revenues for 2004 were \$10,635,721 compared to 2003 revenues of \$11,013,811.

Operating Costs

Gross Margin increased from 9.1% of revenue to 10.5% and total non-direct costs increased by 1.5% as a percentage of revenue from 2003.

Amortization of Property, plant and equipment

The company provides for the amortization of property, plant and equipment other than buildings on the straight line basis over the estimated economic life of the related capital asset to an ultimate residual value. Buildings are amortized on the declining balance basis at the rate of 5% per annum.

Related Party Transactions

There were two types of related party transactions during the period ending August 31, 2004.

What is the purpose of this document?
The purpose of this document is to provide information about the project and its progress.

The Company has entered into a series of transactions with corporations controlled by officers of the Company. All transactions with related parties are incurred in the course of normal operations, and are measured at exchange values, which is the amount agreed by the parties.

(a) Leasing transactions

The Company has entered into agreements to rent excavating equipment on a month to month basis from a corporation wholly-owned by an officer of the Company ("the lessor"). The Company has the right to terminate these rental agreements at any time with no penalty.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Equipment rental costs	\$ 644,100	\$ 490,500	\$ 457,800

At August 31, 2004 accounts payable includes amount owing to the lessor of \$81,855 (2003 – NIL, 2002 - NIL)

(b) Contracting transactions

The Company has entered into agreements with a corporation wholly-owned by an officer of the Company ("the contractor"). The contractor is a general contractor. The Company has agreed to provide to the contractor its services as an underground utility subcontractor.

The Company's transactions with the contractor may be summarized as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Included in revenue			
Contract revenue	\$1,823,357	\$ 1,226,855	\$ 42,976
Management fees			150,000
Premises rental	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
	<u>\$ 1,835,357</u>	<u>\$ 1,238,855</u>	<u>\$ 204,976</u>

At August 31, 2004, the contractor owed \$1,518,924 (2003 - \$696,630; 2002 –NIL) to the Company which are included in accounts receivable.

FINANCIAL CONDITIONS AND LIQUIDITY

Cash Flow From Operations

Cash flow from operations was \$662,623 compared to negative \$486,808 in 2003. This was mainly due to timing issues on contract and project payment terms. Working capital is in a positive position and the company expects to meet all future obligations in the current year.

Current Liabilities

In fiscal 2002 Canadian generally accepted accounting principles changed to require the inclusion, as a current liability, certain demand loans payable on which the lender has agreed to repayment terms that extend past one fiscal year. The company expects the portion of this loan to be repaid in fiscal 2005 will amount to \$20,400.

Interest Expense

Interest expense on demand loans payable decreased to \$5,473 from \$7,795 in fiscal 2003. The balance of the demand loans payable of \$85,583 is all related to capital asset acquisition.

Earnings per Share

Earnings per share, both on a basic and fully diluted calculation were \$0.002.

Additional general and financial information for individual quarters can be obtained from the corporations SEDAR filings at www.sedar.com.

SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED

There were no securities issued or options granted during the period.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at August 31, 2004 there were 24,033,000 common shares and nil preferred shares issued and outstanding.

SUMMARY OF OPTIONS OUTSTANDING AS OF AUGUST 31, 2004

Name of Optionee	Position (Director/ Employee/ Consultant/ Management Company)	Insider ? Yes or No	No. of Optioned Shares	Exercise Price	Expiry Date
Debra L. Senger	Employee	No	350,000	\$0.16	07/31/06
Gerardo Falcone	Employee	No	200,000	\$0.16	07/31/06
Mary L. Leslie	Employee	No	200,000	\$0.16	07/31/06
John A. Peters	Director	Yes	150,000	\$0.16	07/31/06
J. Robert Bateman	Director	Yes	200,000	\$0.16	07/31/06
Gregg Chamberland	Employee	Yes	200,000	\$0.16	07/31/06
David Chamberland	Employee	Yes	200,000	\$0.16	07/31/06
Marilyn Chamberland	Employee	No	200,000	\$0.16	07/31/06

LIST OF DIRECTORS AND OFFICERS AS AT AUGUST 31, 2004

Bernard M. Chamberland	Chairman of the Board, President
J. Robert Bateman	Director
John A. Peters	Director
Mary L. Leslie	Controller
Gregg Chamberland	Secretary (Rich Minerals Corporation), President (Rich Contracting Ltd.)
David Chamberland	General Manager (Rich Contracting Ltd.)

BUSINESS RISK AND MANAGEMENT

In fiscal 2004 the Board of Directors determined that it was in the best interest of the Company to review whether the Company should maintain its focus within the construction industry. To that end the Company has been discussing the possibility of either:

- selling its construction business as an ongoing business; or
- selling the assets of the construction business

As fiscal 2004 drew to a close, the Company started to reduce its activity within the construction industry by taking on fewer construction projects. At date hereof the Company had not come to any arrangement with any prospective purchaser but had entered into preliminary discussions with a former officer of a subsidiary of the Company. The Company anticipates that any monies realized on the ultimate discontinuance of its construction operation will be based on carrying value of the assets of the construction business net of related liabilities.

On behalf of the Board of Directors, I would like to thank the shareholders of Rich Minerals Corporation for their patient support of our company and look forward to exciting changes in the future.

Bernard M. Chamberland

Rich Minerals Corporation
Chairman

CORPORATE CONTACT INFORMATION:

Corporate Address:	4100 6A Street NE Calgary, Alberta T2E 4B1	Legal Council:	John A. Peters Burnet, Duckworth and Palmer, LLP 1400, 350 – 7 th Avenue SW Calgary, Alberta T2P 3N9
Telephone & Fax:	(403) 531- 9100 (403) 531- 9699	Auditor:	Kenway, Mack, Slusarchuk and Stewart, LLP 220, 333 11 Avenue SW Calgary, Alberta T2R 1L9
Contact:	Debra L. Senger	Trust Company:	Olympia Trust Company 2300, 125 9 th Avenue SE Calgary, Alberta T2P 0P6
E-Mail:	dsenger@telus.net	Exchange:	Toronto Venture Exchange – Symbol: RMC Pink Sheet – Symbol: RMRLF

ADDITIONAL INFORMATION

Additional information relating to the Corporation can also be found on SEDAR at www.sedar.com.



**KENWAY
MACK
SLUSARCHUK
STEWART_{LLP}**
Chartered Accountants
www.kmss.ca

Rich Minerals Corporation

Audited Financial Statements August 31, 2004 and 2003

Auditors' Report

To the Shareholders of
Rich Minerals Corporation:

We have audited the consolidated balance sheets of Rich Minerals Corporation as at August 31, 2004 and 2003, and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as August 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

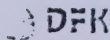
The balance sheet as at August 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended were reported on by another firm of chartered accountants, who issued an unqualified opinion in their report dated November 8, 2002.

Kenway Mack Slusarchuk Stewart LLP

November 12, 2004

Chartered Accountants

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Calgary, Alberta T2R 1L9
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RICH MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended August 31,

	<u>2004</u>	<u>2003</u>	<u>2002</u>
REVENUE	<u>\$ 10,635,721</u>	<u>\$ 11,013,811</u>	<u>\$ 8,447,131</u>
DIRECT COSTS			
Equipment operating	1,997,940	1,839,100	1,463,010
Materials	4,566,860	4,916,614	3,585,552
Other	89,099	114,728	95,766
Salaries and wages	2,405,795	2,616,483	1,893,580
Subcontract	<u>457,457</u>	<u>524,050</u>	<u>497,054</u>
	<u>9,517,151</u>	<u>10,010,975</u>	<u>7,534,962</u>
GROSS MARGIN	<u>1,118,570</u>	<u>1,002,836</u>	<u>912,169</u>
NON-DIRECT COSTS			
Amortization	158,090	244,577	238,488
Interest	13,805	24,117	25,142
Management, consulting and professional fees	174,676	93,011	97,276
General and administrative	399,663	323,846	269,797
Salaries	323,301	289,462	291,410
Loss (gain) on disposition of equipment	10,557	(15,453)	-
Bad debts	<u>-</u>	<u>-</u>	<u>52,151</u>
	<u>1,080,092</u>	<u>959,560</u>	<u>974,264</u>
INCOME (LOSS) BEFORE INCOME TAXES	38,478	43,276	(62,095)
INCOME TAXES (Note 9)	<u>-</u>	<u>-</u>	<u>-</u>
INCOME (LOSS) FOR THE YEAR	38,478	43,276	(62,095)
RETAINED EARNINGS (DEFICIT), beginning of year	<u>14,536</u>	<u>(28,740)</u>	<u>33,355</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ 53,014</u>	<u>\$ 14,536</u>	<u>\$ (28,740)</u>
BASIC & FULLY DILUTED EARNINGS (LOSS) PER SHARE (Note 2(i))	<u>\$ 0.002</u>	<u>\$ 0.002</u>	<u>\$ (0.003)</u>

See accompanying notes

RICH MINERALS CORPORATION

CONSOLIDATED BALANCE SHEETS

As at August 31,

ASSETS			
	2004	2003	2002
CURRENT ASSETS			
Accounts receivable (Note 11 (b))	\$ 3,731,547	\$ 4,064,210	\$ 3,202,266
Inventory and work in progress (Note 3)	599,803	625,311	260,963
Prepaid expenses and deposits	38,242	30,817	23,230
	<u>4,369,592</u>	<u>4,720,338</u>	<u>3,486,459</u>
OTHER ASSETS (Note 4)	135,112	135,112	135,112
PROPERTY, PLANT AND EQUIPMENT (Note 5)	1,150,453	1,208,377	1,379,971
	<u>\$ 5,655,157</u>	<u>\$ 6,063,827</u>	<u>\$ 5,001,542</u>
LIABILITIES			
CURRENT LIABILITIES			
Cheques issued in excess of funds on deposit (Note 6) \$	318,593	\$ 499,022	\$ 218,685
Bank indebtedness (Note 6)	250,000	600,000	300,000
Accounts payable (Note 11 (a))	2,671,642	2,566,889	2,092,217
Current portion of loans payable (Note 7)	85,583	107,055	142,029
	<u>3,325,818</u>	<u>3,772,966</u>	<u>2,752,931</u>
LOANS PAYABLE, net of current portion (Note 7)	-	-	1,026
	<u>3,325,818</u>	<u>3,772,966</u>	<u>2,753,957</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 8)	2,276,325	2,276,325	2,276,325
RETAINED EARNINGS (DEFICIT)	53,014	14,536	(28,740)
	<u>2,329,339</u>	<u>2,290,861</u>	<u>2,247,585</u>
	<u>\$ 5,655,157</u>	<u>\$ 6,063,827</u>	<u>\$ 5,001,542</u>

Approved on behalf of the board:

 Director

 Director

See accompanying notes

RICH MINERALS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2004, 2003 and 2002

1. Nature of operations

Rich Minerals Corporation ("the Company") was incorporated in Canada under the laws of the province of Alberta. The Company performs construction and contracting activities related to the installation of water lines and other utilities in residential and commercial applications and is investigating business prospects in the mining industry through its wholly owned subsidiaries.

2. Significant accounting policies

(a) Consolidation

These financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries, Rich Contracting Ltd. and Rich Venture Corporation.

(b) Construction revenue and direct costs

The Company recognizes construction revenue and direct costs on the percentage of contract completion basis. In using this method, the Company records revenue by reference to third party engineer certification of work completed. Provisions for losses, if any, are recognized during the period in which the loss first becomes apparent.

(c) Inventory and work in progress

The Company records inventory of construction materials at the lesser of cost on a first in first out basis and market value. Work in progress, representing revenue that has not been billed, is recorded at the estimated billable value

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less amortization. The Company provides for the amortization of property, plant and equipment other than buildings on the straight line basis over the estimated economic life of the related asset to an ultimate residual value at the following annual rates:

Excavating equipment	10% to 33%
Automotive equipment	10% to 33%
Construction equipment	20% to 33%
Office equipment	33% to 50%

The Company provides for the amortization of buildings on the declining balance basis at the rate of 5% per annum.

Effective September 1, 2003 the Company has adopted the CICA recommendations concerning the impairment of long-lived assets. Reviews for impairment of property, plant and equipment are undertaken whenever events or changes in circumstances (such as a decrease in sales price, an increase in operating costs) indicate that the carrying value of an asset may not be recoverable. In assessing recoverability, projected future net cash flows generated through the use and eventual disposition of the assets on a discounted cash flows basis are considered. Previously recoverability was considered on the basis of undiscounted cash flows. No impairment loss was recorded as a result of adoption of the CICA recommendations.

RICH MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2004</u>	<u>2003</u>	<u>2002</u>
CASH WAS PROVIDED (USED) BY:			
OPERATING ACTIVITIES			
Cash received from customers	\$ 10,993,892	\$ 9,787,519	\$ 9,436,650
Cash paid to suppliers and employees	(10,317,464)	(10,250,210)	(9,443,850)
Interest paid	<u>(13,805)</u>	<u>(24,117)</u>	<u>(24,877)</u>
	<u>662,623</u>	<u>(486,808)</u>	<u>(32,077)</u>
INVESTING ACTIVITIES			
Purchase of equipment	(110,722)	(79,742)	(116,284)
Proceeds of disposition of equipment	-	22,213	-
Debenture	<u>-</u>	<u>-</u>	<u>(15,391)</u>
	<u>(110,722)</u>	<u>(57,529)</u>	<u>(131,675)</u>
FINANCING ACTIVITIES			
Proceeds from loans payable	-	-	32,900
Repayment of loans payable	(21,472)	(36,000)	(108,385)
Advance (repayment) of bank indebtedness	<u>(350,000)</u>	<u>300,000</u>	<u>300,000</u>
	<u>(371,472)</u>	<u>264,000</u>	<u>224,515</u>
INCREASE (DECREASE) IN CASH IN THE YEAR	180,429	(280,337)	60,763
CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT, beginning of year	<u>(499,022)</u>	<u>(218,685)</u>	<u>(279,448)</u>
CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT, end of year	<u>\$ (318,593)</u>	<u>\$ (499,022)</u>	<u>\$ (218,685)</u>

See accompanying notes

RICH MINERALS CORPORATION **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2004, 2003 and 2002

2. Significant accounting policies (continued)

(i) Earnings (loss) per share

The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding during the year, being 24,033,000 in each of 2004, 2003 and 2002.

The Company utilizes the treasury stock method of calculating diluted earnings (loss) per share. Options to purchase 1,700,000 common shares (2003 - 1,700,000, 2002 - 1,700,000) were excluded from the computation of diluted net income per share because the exercise price of the options was greater than the average market price of the common shares.

(j) Cash and cash equivalents

The Company considers demand bank loans that are utilized periodically for day to day operations to be cash equivalents.

(k) Portfolio investments

Portfolio investments are recorded at cost. If there is other than a temporary decline in value, these investments are written down to provide for the loss.

3. Inventory and work in progress

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Work in progress	\$ 282,051	\$ 282,008	\$ 5,652
Inventory of materials	<u>317,752</u>	<u>343,303</u>	<u>255,311</u>
	<u>\$ 599,803</u>	<u>\$ 625,311</u>	<u>\$ 260,963</u>

4. Other assets

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Portfolio investment - equities	\$ 135,112	\$ 135,112	\$ -
- non-interest bearing debentures	<u>-</u>	<u>-</u>	<u>135,112</u>
	<u>\$ 135,112</u>	<u>\$ 135,112</u>	<u>\$ 135,112</u>

The Company agreed to participate in a series of transactions that ultimately resulted in the conversion of the non-interest bearing debentures, to common shares and warrants of a publicly traded corporation. The conversions did not result in a receipt or use of cash.

RICH MINERALS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2004, 2003 and 2002

2. Significant accounting policies (continued)

(e) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized based on differences between financial statement values of assets and liabilities and their respective tax values. Future tax assets and liabilities are measured using rates that are expected to apply when the future tax asset is realized or the future tax liability is settled. To the extent that the Company does not consider it to be more likely than not that a future asset will be recovered, it provides a valuation allowance against the excess.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates are outlined below. Actual results could differ from those estimates.

The Company's policy of recognizing construction revenue and direct costs on the percentage of contract completion basis makes necessary the use of estimates as to the degree to which construction projects have been completed. These estimates are then utilized to determine the amount of revenue, direct costs and gross margin recognized, and to validate the Company's accounts receivable from customers. Estimates of contract completion are based on contract outputs and carried out by third party engineers engaged directly by the Company's customers.

The Company must also estimate the amortization of property, plant and equipment and the value of other assets and liabilities in order to allow the preparation of these financial statements.

(g) Segmented information

The Company has one operating segment, the installation and maintenance of underground utilities and ancillary services. The asset category of Other Assets represents an asset not utilized in the installation and maintenance of underground utilities. Other Assets generate no revenue, and due to their value as a proportion of all assets, are not disclosed as a separate operating segment.

(h) Stock option plan

The Company has established a stock option plan under which the Company may grant options to purchase common shares. Under the plan, the Company may grant options to acquire common shares, but the aggregate options so granted may not exceed ten percent of the common shares outstanding from time to time. The stock option plan typically allows for the granting of options for a five year term, vesting twenty percent annually over that term.

Effective September 1, 2003, the Company has elected to use the fair value based method to account for stock-based compensation. Under the provisions of the CICA Handbook, the accounting policy is being adopted on a prospective basis. As no options were granted in the reporting period there is no impact on the consolidated financial statements. The pro forma effect of stock-based compensation is disclosed in regards to options granted prior to adoption of the recommendation that vest in the years reported.

RICH MINERALS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2004, 2003 and 2002

7. Loans payable

	<u>2004</u>	<u>2003</u>	<u>2002</u>
ATB Financial			
Demand loan bearing interest at lender's prime rate plus 1.5%, on which the lender is accepting repayment terms of monthly installments \$1,700 (2003/2002 - 1.67% of the principal balance outstanding at the end of the previous month), plus interest. The assets of the Company are pledged as security.	\$ 85,583	\$ 106,029	\$ 129,723
General Motors Acceptance Corporation of Canada, Limited			
Balance repaid during the current year.	-	1,026	13,332
	85,583	107,055	143,055
Less current portion	(85,583)	(107,055)	(142,029)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026</u>

8. Share capital

(a) Shares authorized

Unlimited common shares
Unlimited preferred shares

(b) Shares issued

	<u>Common Shares</u>	<u>Consideration</u>
Balance, August 31, 2002, 2003 and 2004	<u>24,033,000</u>	<u>\$ 2,276,325</u>

No preferred shares have been issued.

RICH MINERALS CORPORATION **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2004, 2003 and 2002

5. Property, plant and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
2004			
Land	\$ 265,000	\$ -	\$ 265,000
Buildings	372,437	97,696	274,741
Excavating equipment	1,977,461	1,499,940	477,521
Automotive equipment	319,605	211,914	107,691
Construction equipment	89,328	82,109	7,219
Office equipment	110,530	92,249	18,281
	<u>\$ 3,134,361</u>	<u>\$ 1,983,908</u>	<u>\$ 1,150,453</u>
2003			
Land	\$ 265,000	\$ -	\$ 265,000
Buildings	372,437	83,235	289,202
Excavating equipment	1,889,028	1,403,961	485,067
Automotive equipment	340,205	189,506	150,699
Construction equipment	89,328	75,273	14,055
Office equipment	88,241	83,887	4,354
	<u>\$ 3,044,239</u>	<u>\$ 1,835,862</u>	<u>\$ 1,208,377</u>
2002			
Land	\$ 265,000	\$ -	\$ 265,000
Buildings	365,866	68,014	297,852
Excavating equipment	1,874,837	1,280,634	594,203
Automotive equipment	435,567	242,201	193,366
Construction equipment	86,502	58,862	27,640
Office equipment	83,963	82,053	1,910
	<u>\$ 3,111,735</u>	<u>\$ 1,731,764</u>	<u>\$ 1,379,971</u>

6. Cheques issued in excess of funds on deposit and bank indebtedness

The Company has arranged with ATB Financial, a demand bank loan with no fixed terms of repayment, to a maximum of \$1,000,000. The loan bears interest at the lender's prime rate of interest plus one percent. A general security agreement covering all the assets of the Company is pledged as security.

RICH MINERALS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2004, 2003 and 2002

9. Income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 33.62% (2003 – 36.62%, 2002 – 40.08%) to the income (loss) for the years as follows:

	2004	2003	2002
Income (loss) before income taxes	\$ 38,478	\$ 43,276	\$ (62,095)
Expected provision for (recovery of) income taxes	\$ 12,937	\$ 15,848	\$ (24,888)
Variances arising from non-deductible expenses for income tax purposes	18,289	14,232	15,588
Change in valuation allowance	(30,800)	(35,838)	(3,723)
Other	(474)	5,758	13,023
Actual provision for (recovery of) income taxes	\$ -	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of future tax assets and future tax liabilities consist of:

	2004	2003	2002
Future income tax assets:			
Non-capital loss carryforwards	\$ 117,500	\$ 240,600	\$ 385,816
Capital loss carryforwards	11,800	11,800	11,800
Future income tax assets before valuation allowance	129,300	252,400	397,616
Valuation allowance	(10,100)	(40,900)	(76,738)
	119,200	211,500	320,879
Future income tax liabilities:			
Property, plant and equipment	58,400	65,200	98,467
Deferred income	60,800	146,300	222,412
	119,200	211,500	320,879
Total net future income tax assets	\$ -	\$ -	\$ -

RICH MINERALS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2004, 2003 and 2002

8. Share capital (continued)

(c) Shares under option

Options to acquire shares at a price of \$0.16 per share were granted in fiscal 2001 when the market value of the shares was \$0.24. The stock options outstanding, which expire July, 2006, may be summarized as follows:

<u>Fiscal Year</u>	<u>Options Outstanding Beginning of Year</u>	<u>Forfeited/ Expired in the Year</u>	<u>Options Outstanding End of Year</u>	<u>Options Exercisable at Year End</u>
2002	2,400,000	(700,000)	1,700,000	680,000
2003	1,700,000	-	1,700,000	1,020,000
2004	1,700,000	-	1,700,000	1,360,000

<u>Fiscal Year</u>	<u>Fair Value of options vested during the Year</u>	<u>Additional Expense per share had fair value method been used</u>	<u>Income (loss) per share had fair value method been used</u>
2002	\$ 40,000	\$ 0.002	\$(0.005)
2003	\$ 68,000	\$ 0.003	\$(0.001)
2004	\$ 68,000	\$ 0.003	\$(0.001)

In calculating the fair value of options granted and/or vesting of option grants, the Company utilized the following assumptions:

- risk-free interest rate of 5.32%;
- expected option life of five years;
- expected volatility of 100%;
- no dividends expected; and
- the weighted average grant date fair value of each option granted was \$0.20.

RICH MINERALS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2004, 2003 and 2002

12. Financial instruments

The Company's financial instruments consist of accounts receivable, portfolio investment, bank overdraft, bank indebtedness, accounts payable, and loans payable.

(a) Fair values

The Company is of the opinion that the fair values of accounts receivable, portfolio investment (2004) and accounts payable approximate their respective carrying values due to the relatively short-term maturity. In fiscal 2003 and 2002 it was not practical within the constraints of timeliness and cost to determine the fair value of the portfolio investment with sufficient reliability. The carrying value of bank overdraft, bank indebtedness and loans payable approximates the fair value as the interest rates are consistent with the current rates offered to the Company with similar terms.

(b) Interest rate risk

The Company is exposed to interest rate risk on its demand bank loans arising from fluctuations in the prime interest rate.

(c) Credit risk

Substantially all the Company's accounts receivable relate to the Company's activities in the residential land development industry and the Company may therefore be considered to have credit risk exposure to that industry. As well, within this industry, due to the size of the individual projects, the Company may be considered to have exposure to a concentration of credit risk from individual customers. The Company has determined that its maximum significant concentration of credit risk in respect of accounts receivable at August 31, 2004 was \$1,830,688 (2003 - \$2,045,831 2002 - \$760,659).

13. Economic Dependence

The Company earns revenue from a variety of entities. In fiscal 2004, the Company's revenue included \$6,989,741 from eight unrelated (to the Company or to each other) customers (2003 - \$6,045,455-three; 2002 - \$4,617,135 - two).

RICH MINERALS CORPORATION

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10. Commitments

The Company has entered into agreements for the lease of vehicles. Minimum lease payments are due as follows:

Fiscal 2005	40,339
Fiscal 2006	30,880
Fiscal 2007	<u>1,988</u>
	<u>\$ 73,207</u>

11. Transactions with related parties

The Company has entered into a series of transactions with corporations controlled by officers of the Company. All transactions with related parties are incurred in the course of normal operations, and are measured at exchange values, which is the amount agreed by the parties.

(a) Leasing transactions

The Company has entered into agreements to rent excavating equipment on a month to month basis from a corporation wholly-owned by an officer of the Company ("the lessor"). The Company has the right to terminate these rental agreements at any time with no penalty.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Equipment rental costs	<u>\$ 644,100</u>	<u>\$ 490,500</u>	<u>\$ 457,800</u>

At August 31, 2004 accounts payable includes amount owing to the lessor of \$81,855 (2003 - NIL, 2002 - NIL)

(b) Contracting transactions

The Company has entered into agreements with a corporation wholly-owned by an officer of the Company ("the contractor"). The contractor is a general contractor. The Company has agreed to provide to the contractor its services as an underground utility subcontractor.

The Company's transactions with the contractor may be summarized as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Included in revenue			
Contract revenue	\$1,823,357	\$ 1,226,855	\$ 42,976
Management fees			150,000
Premises rental	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
	<u>\$ 1,835,357</u>	<u>\$ 1,238,855</u>	<u>\$ 204,976</u>

At August 31, 2004, the contractor owed \$1,518,924 (2003 - \$696,630; 2002 -NIL) to the Company which are included in accounts receivable.